GOVERNMENT OF INDIA
POWER
LOK SABHA

STARRED QUESTION NO:268
ANSWERED ON:01.08.2002
REPORT OF AHLUWALIA COMMITTEE
KUMUDINI PATNAIK

Will the Minister of POWER be pleased to state:

(a) whether the Union Government have asked the State Governments toaccept the Ahluwalia Committee Report on electricity and consequently signed tripartite agreement to authorize NTPC to deduct the power bills from the Central devolution to the States;

(b) if so, the details thereof and the reasons therefor;

(c) whether this tripartite agreement is also applicable to Orissa, which has adopted the electrical reforms with the help of World Bank Loan;

(d) if so, the details thereof; and

(e) the steps taken to safeguard the interest of Orissa?

Answer

THE MINISTER OF POWER (SHRI SURESH PRABHU)

(a) to (e) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OSTARRED QUESTION NO. 268 TO BE ANSWERED IN TI LOK SABHA ON 01.08.2002 REGARDING REPORT OF AHLUWALIA COMMITTEE.

(a) & (b) : The financial position of all the State Electricity utilities havedeteriorated quite rapidly in the past decade. The Planning Commission has estimated that during the last financial year alone, i.e. year 2001-02, the loss could be of the order of Rs. 24,837 crores. The accumulated losses for the last 10 years ending 2001-02 has been calculated to be a colossal amount of Rs. 88107 crores.

Such huge losses have very adversely affected the operations and the ability of the electricity utilities to supply electricity to the consumers. They have been facing resource crunch to buy power from various generating companies. Because of the accumulated losses and inadequate cash generation, all the state utilities have defaulted in paying their power purchase as well as other dues to the Central PSUs like NTPC, Power Grid, NHPC, Coal India Limited, Railways, etc.

To resolve this problem and to help the state electricity utilities to clean up their balance sheet which can help them to revive their activities including generating resources for new capacity additions, which is so very critical for the economy of the country, this issue was discussed by the Hon`ble Prime Minister of India in a conference of the State Chief Ministers and Power Ministerson 3rd March, 2001. In the said conference, it was resolved that an Expert Groupbe set up to recommend a one time settlement of all power Sector past dues to Central Public Sector Undertakings (CPSUs) and dues from CPSUs to State Power Utilities. The Expert Group was set up under the Chairmanship of Shri Montek Singh Ahluwalia.

On the basis of the recommendations of the Expert Group under the Chairmanship of Montek Singh Ahluwalia that was endorsed, with minor modifications, by the High Level Empowered Group of Chief Ministers under theChairmanship of Deputy Chairman of the Planning Commission, Government ofIndia announced the scheme of one-time settlement of outstanding dues as of30.9.2001. On 20-05-2002, Government of India circulated a modified tripartite agreement (TPA) that is to be signed among the State Government, Government of India and the Reserve Bank of India.

The salient features of the one-time settlement scheme and the TPA are:

1. For the states participating in the scheme, 60% of the interest / surcharge on the delayed payments as on 30-09-2001 would be waived off.

2. The rest of the dues comprising the full principal amount as well as the remaining 40% of the interest / surcharge to be securitised through bonds issued by the respective State Governments.

3. The bonds will be issued through RBI at a tax-free interest rate of 8.5% perannum. The terms of bonds shall be structured to achieve a moratorium of 5 years on repayment of principal with the entire principal being repaid between the 6th and 15th year. These bonds shall be identical to the bonds issued in connection with the market borrowings of State Governments, with the attendant discipline in repayments. The bonds will be subject to lock-in restrictions that will allow release of only 10% of the bonds in the secondary market each year.

4. For ensuring timely payment of current dues in future, defaults in current payment for power/fuel shall attract a graded reduction in the supply of power from central power stations and in coal supplies. Payments that remain outstanding after 90 days from the date of billing shall be recovered, on behalf of the CPSUs, by the Ministry of Finance through adjustment against releases due to the respective State Government on account of plan assistance, States` share of Central taxes and any other grant or loan.

5. In order to initiate steps towards reform of the sector, the State Electricity Boards / State governments to accept reform-based performance milestones such as setting up of State Electricity Regulatory Commission (SERC), metering of distribution feeders, improvement in revenue realisation specified in the Memorandum of Understanding (MOU)/Memorandum of Agreement signed/to be signed with the Ministry of Power.

6. The States to be offered incentives for complying with the scheme. If SEBs do not default on their current dues and adhere to the performance milestones, CPSUs would pay them, bi-annual cash incentives equal to 3% of the value of bonds in the first year, 2.5% in the second year and 2% in the third and fourth years (total incentive of 19% for four years). Further, if SEBs open and maintain Letters of Credit (LCs), CPSUs would pay them a one-time cash incentive equal to 2% of the value of bonds. In addition, States undertaking reforms would also be assisted through the Accelerated Power Development and Reform Programme (APDRP) grants and discretionary allocation of Power.

7. The States that withhold their consent beyond 60 days after this scheme enters into force will be denied any share in the discretionary allocation of power (15%) from the power stations of CPSUs as well as any assistance under the APDRP. If the overdues of such States exceed Rs.50 crore in respect of any CPSUs, they would also attract reduction in power and coal supplies, available to the states participating in this scheme.

8. Outstanding dues as on 30.09.2001 would form the basis of the one time settlement. Dues that accrue after this date would not form part of the scheme. Individual CPSUs & states can consider exchanging bonds for the outstanding.

9. The scheme covers the outstanding dues payable by the SEBs to the National Thermal Power Corporation (NTPC), National Hydro-electric Power Corporation (NHPC), North Eastern Electric Power Corporation (NEEPCO), Damodar Valley Corporation (DVC) and Power Grid Corporation of India (PGCIL) under the Ministry of Power, Coal India Limited (CIL) & its subsidiaries and Neyveli Lignite Corporation (NLC) under the Department of Coal, Nuclear Power Corporation (NPL) under the Department of Atomic Energy and the Ministry of Railways.

The reasons for asking the State Governments to accept the scheme for one time settlement of outstanding dues of SEBs payable to CPSUs are:

(i) To facilitate the settlement of outstanding dues of Rs.41,852 crores of the SEBs payable to the CPSUs, listed above, as on 30.09.2001.

(ii) To set up mechanism for regular payment of future dues of the SEBs to the CPSUs, through incentives for timely payment, regulation of power and coal supplies and in exceptional cases, through deductions from central resource transfer by the Ministry of Finance in case of default; and

(iii) To assist the reforms process in the States by cleaning up the books of the SEBs/Utilities.

(c) & (d) : Yes, Sir. Orissa is very much covered under the above scheme and the Chief Minister of Orissa, who was also a Member of the High Level Empowered Group of Chief Ministers, has conveyed willingness to sign the tripartite agreement under the scheme for one-time settlement of outstanding dues of the SEBs payable to the CPSUs. The agreement is, however, yet to be signed by Government of Orissa.

After signing the agreement, the electricity company of Orissa will get an immediate waiver of Rs.119.54 crores on their interest liability and stand to avail an incentive of 21% on the securitised amount of nearly Rs.760 crores as already stated.

(e) : As already explained, the scheme is open to all the States, including Orissa and it is beneficial because of the various concessions and incentives which would reduce the existing liability of the SEBs/Electric Company. Accordingly, GRIDCO of Orissa will get the benefit as stated above and it would help in its financial restructuring and improve its viability.